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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
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ITC-01 SOE-02 DOE-15 NSCE-00 SSO-00 ICAE-00
INRE-00 AF-10 ARA-10 XMB-02 HA-05 /162 W
----------026480 312001Z /70
O R 311914Z MAY 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 2357
INFO ALL OECD CAPITALS
AMEMBASSY BRUSSELS
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E.O. 11652: N/A
TAGS: OECD, EGEN
SUBJECT: OECD MINISTERIAL PREPARATIONS: MAY 29-30
AD HOC MEETING ON ADJUSTMENT POLICIES

1. SUMMARY: AD HOC MEETING OF GOVERNMENT REPRESENTATIVES MADE THOROUGH REVIEW OF SECRETARIAT'S PAPER ON ORIENTATIONS FOR POSITIVE ADJUSTMENT POLICIES (CES/78.46) AND MANDATED SECRETARIAT TO DO A REDRAFT FOR SUBMISSION TO MINISTERIAL COUNCIL, POSSIBLY AFTER A FINAL CHECK BY OFFICIALS FROM CAPITALS JUST BEFORE MINISTERIAL. COMMENTS ON LIMITED OFFICIAL USE

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PAPER WERE GENERALLY CONSTRUCTIVE AND DID NOT SUBSTANTIALLY ALTER IT IN FORM OR SUBSTANCE. ALL MAJOR U.S. SUGGESTIONS WERE ADOPTED. EXCEPT FOR PARAGRAPH ON AGRICULTURE, WHICH FRENCH AND BELGIANS WANT OMITTED FROM PAPER, SIGNIFICANT DIVERGENCES OF VIEWS WERE RARE AND SECRETARIAT IS CONFIDENT REDRAFT WILL BE GENERALLY ACCEPTABLE TO GOVERNMENTS.

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MISSION WILL CABLE NEW TEXT AS SOON AS IT IS AVAIL-
ABLE (PROBABLY IN A WEEK). END SUMMARY.

2. WORKMANLIKE REVIEW BY AD HOC MEETING OF GOVERN-
MENT REPS OF CES/78.46 "POLICIES FOR ADJUSTMENT:
SOME GENERAL ORIENTATIONS" REVEALED
BROAD-GAUGED SUPPORT FOR SUBSTANCE AND FORM OF
SECRETARIAT'S PAPER. US DEL (NORDHAUS) REITERATED
THE STRONG SUPPORT THAT THE USG GAVE TO THIS EFFORT
(SEE STATE 127824). HE ALSO NOTED THAT THIS EFFORT
SHOULD BE SEEN IN A BROADER CONTEXT, AS PART OF
A BROADER FABRIC OF CONSENSUS THAT GOVERNMENTS
WERE TRYING TO WEAVE. HE CONTINUED THAT A FAILURE
TO REACH SUBSTANTIAL AGREEMENT HERE WOULD BE AN
INAUSPICIOUS NOTE IN THE ATTEMPT TO REACH AGREEMENT
ON A CONCERTED ACTION PROGRAM.

3. IN GENERAL DEBATE, CHAIRMAN (MARRIS) EASILY
DEFLECTED DESIRES OF A FEW DELS TO ADD INAPPROPRIATE
ITEMS SUCH AS INCOME DISTRIBUTION (FRANCE) AND
MIGRATION (PORTUGAL). AFTER AGREEING ON NEED FOR
OPENING PARAGRAPH MAKING CLEAR THAT KEY ISSUE WAS
THE TRADEOFFS BETWEEN ECONOMIC AND SOCIAL OBJECTIVES
OF GOVERNMENT POLICIES, GROUP PROCEEDED TO PARA-
GRAPH-BY-PARAGRAPH REVIEW OF TEXT. PROBLEMS
ENCOUNTERED WERE SURPRISINGLY FEW, EXCEPT FOR
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AGRICULTURE (DESCRIBED BELOW). DISCUSSION OF
INTRODUCTION OF PAPER LED TO SOME SKIRMISHING
BETWEEN FRG/JAPAN ON ONE HAND AND UK/FRANCE ON
OTHER ABOUT WHETHER APPROPRIATE MACRO ECONOMIC
POLICIES OR SHIFT AWAY FROM DEFENSIVE MICRO MEASURES
SHOULD COME FIRST, BUT BALANCED FORMULA WAS BROADLY
ACCEPTABLE.

4. INDUSTRIAL POLICY: OPENING PART OF PARAGRAPH 7
STRESSING RARENESS OF CASES WHERE SELECTIVE ACTION
IS JUSTIFIED WAS FELT TO BE TOO STRONG BY FRANCE,
SWEDEN, AND NORWAY AND TOO WEAK BY FRG AND US.
COMPROMISE REPLACES "ARE LIKELY TO" BY "SHOULD".
AS RESULT OF FRENCH AND JAPANESE OBJECTION, WORD
"GUIDELINES" (WHICH THEY THOUGHT TOO STRONG) WAS
REPLACED BY "CRITERIA". LIST OF CRITERIA EMERGED
RELATIVELY UNSCATHED, ALTHOUGH FRENCH OPPOSED NUMBER
4 (ON GROUNDS PUBLIC FUNDS WERE NEVER USED UNLESS

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NO PRIVATE CAPITAL WAS FORTHCOMING) AND SAID GOF WOULD
NEVER ACCEPT NUMBER 7 AS LONG AS IT REFERRED TO NATIONAL
SECURITY (ON GROUNDS THAT THIS IMPINGED ON NATIONAL
SOVEREIGNTY). SEVERAL OTHER DELS (INCLUDING U.S.)
SUPPORTED RETENTION OF THESE ITEMS AND SECRETARIAT WILL
TRY TO REDRAFT THEM TO MEET CONCERNS. U.S. PROPOSAL
FOR REFERENCE TO NEED TO LIMIT PRICE SUPPORT MEASURES
TO A LEVEL WHICH ASSURES AN ADEQUATE RATE OF RETURN TO
EFFICIENT PRODUCERS WAS ACCEPTED AS PART OF NUMBER 2.

5. PARAGRAPH 9 ON POSITIVE INDUSTRIAL POLICIES MADE
A NUMBER OF DELS, INCLUDING U.S., UNEASY. SOME FELT
IT WAS TOO FAVORABLE TO INTERVENTION OR THAT IT
FAILED TO RECOGNIZE DIFFERENCES AMONG COUNTRIES'
SITUATIONS. DUTCH, JAPANESE, AND SWEDES OPPOSED
WEAKENING THIS SECTION HOWEVER. SECRETARIAT AGREED
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TO GO OVER LANGUAGE CAREFULLY AND CONSIDER

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POSSIBLE QUALIFICATIONS THAT MIGHT BE NEEDED. LAST ITEM IN THIS SECTION, ON THE NEED FOR CLARIFYING GOVERNMENT REGULATIONS, WILL BE BEEFED UP AND MADE INTO SEPARATE PARAGRAPH.

6. EMPLOYMENT AND MANPOWER POLICIES: MAIN ISSUE IN THIS SECTION WAS FRENCH DESIRE TO INDICATE THAT HIGH LEVELS OF UNEMPLOYMENT WERE LIKELY TO CONTINUE FOR LONG TIME IN EUROPE AND THAT POLICIES TO DEAL WITH THIS WOULD CONTINUE TO BE NEEDED. FRENCH WERE ACCOMMODATED BY CONDITIONING THE REFERENCE TO MODIFICATION OF POLICIES ON SUCCESS IN REDUCING UNEMPLOYMENT RATHER THAN INCREASING EMPLOYMENT. LAST TWO POLICY CRITERIA IN PARA 11 WILL REMAIN IN UNCONDITIONAL CATEGORY. AT U.S. SUGGESTION A PARAGRAPH REFERRING TO THE NEED FOR EFFORTS TO ENSURE THAT THE EVOLUTION OF WAGE STRUCTURES DOES NOT HINDER ADJUSTMENT OF MANPOWER TO CHANGING EMPLOYMENT NEEDS WILL BE ADDED TO THIS SECTION.

7. AGRICULTURE: AUSTRALIAN AND NEW ZEALAND DESIRE TO HAVE STRONGER PARAGRAPH ON AGRICULTURE LED, WITH QUIET U.S. SUPPORT, TO EFFORTS BY SMALL DRAFTING GROUP, INCLUDING U.S., BELGIANS, AND EC COMMISSION TO PRODUCE NEW TEXT EVENING OF MAY 29. DISCUSSION OF REDRAFT NEXT DAY REVEALED FRENCH AND BELGIANS OPPOSED ON PRINCIPLE TO INCLUDING SUBJECT IN PAPER AT ALL, ALTHOUGH ALL OTHER DELS (EXCEPT DANES, WHO WANTED TO CONSULT EC COMMISSION) COULD GO ALONG WITH NEW TEXT. A NUMBER, INCLUDING U.S., EXPRESSED VIEW THAT AGRICULTURE WAS AN IMPORTANT SECTOR AND THAT THE PAPER SHOULD BE VIEWED IN THE BROADER CONTEXT OF CONCERTED ACTION. BASIC
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FRENCH ARGUMENT WAS THAT AGRICULTURE WAS A LONG TERM STRUCTURAL PROBLEM (RATHER THAN ONE ARISING IN LAST FEW YEARS) AND NOT AN AREA WHERE GOVERNMENT INTERVENTION COULD BE EXPECTED TO BE PHASED OUT. OTHERS POINTED TO WAY IN WHICH SOME AGRICULTURAL

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POLICIES INCREASE ADJUSTMENT PROBLEMS FOR OTHER SECTORS OF ECONOMY AND FOR AGRICULTURAL EXPORTERS. SECRETARIAT'S REDRAFT WILL INCLUDE (IN BRACKETS) A SLIGHTLY AMENDED VERSION OF TEXT WORKED OUT BY DRAFTING GROUP, AND MARRIS WILL REFLECT ON HOW DEADLOCK MIGHT BE RESOLVED.

8. MARRIS BRIEFLY SUMMARIZED THE RESULTS FOR THE ECONOMIC POLICY COMMITTEE. HE WAS ENCOURAGED BY THE SUCCESS OF THE MEETING AND NOTED THAT, ASIDE FROM THE DISSENT ON AGRICULTURE BY THE FRENCH AND BELGIANS, ALL REPRESENTATIVES HAVE BEEN IN STRONG SUPPORT OF THE WORK. THERE WAS NO FURTHER DISCUSSION.

9. FURTHER SCENARIO: ON BASIS OF PARAGRAPH BY
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PARAGRAPH DISCUSSION SECRETARIAT WILL DO REDRAFT OF PAPER. MARRIS WISHES TO DO A POLISHED JOB AND WE EXPECT NEW TEXT WILL NOT BE AVAILABLE FOR A WEEK. HIS INTENTION IS NOT TO HAVE HEADS OF DELS COMMENT ON IT FORMALLY BUT ARRANGE FOR AD HOC MEETING OF GOVERNMENT REPS ON EVE OF MINISTERIAL COUNCIL (OR ON MORNING OF FIRST DAY OF THAT MEETING) TO GIVE TEXT FINAL BLESSING. MINISTERS WOULD THEN ADOPT IT

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IN AN APPROPRIATE MANNER AND IT WOULD BE ISSUED AS
AN APPENDIX TO THE COMMUNIQUE. USG SHOULD INDICATE
REACTION TO NEW TEXT TO MISSION ASAP.
SALZMAN

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